

## **SANTA CRUZ COUNTY LOCAL WORKFORCE INVESTMENT AREA**

### **Geography**

Santa Cruz is a border county with Mexico, and therefore Mexico's substantially affects its economy. When Nogales, Sonora, Mexico residents are able, they like to cross the border to shop at American-side stores. Whether or not they are able, is heavily influenced on the exchange rate of the peso relative to the dollar. Early in the decade of the '90s, Mexican residents suffered a substantial devaluation of the peso. That single event caused substantial decreases in retail trade employment in Santa Cruz County. However, retail sales have rebounded significantly recording the largest gains in the state in 1997 and 1998 with growth of 10.2 percent and 15.9 percent respectively.

But recent terrorist attacks are likely to make the economic situation in Santa Cruz worse. Trade will be the most directly effected as increasing security measures being implemented to those wanting to cross the U.S.-Mexico border will stop much of the foreign exchange that takes place in southern Santa Cruz.

### **Population**

According to the most recent official population figures, produced by the US Census Bureau, 2000 data shows 38,381 people reside in Santa Cruz County. This resident population accounts for slightly more than 0.7 percent of Arizona's total population. In the ten years since the 1990 census, Santa Cruz County's population grew by 29 percent, or roughly 3 percent annually compared to the state as a whole which grew over 40 percent for the decade. Nogales is the only major city in the county and has shown the most significant population growth since 1990 (7.1 percent).

### **Income**

According to data from the Bureau of Economic Analysis from 1990 to 1999, local total personal income in Santa Cruz County increased 78.1 percent compared to the State's nearly 90 percent. However, on a per capita basis, the gain of 36 percent was more than 10 percent below the State's growth of 46.3 percent. Santa Cruz County per capita income was \$16,496 in 1999, about 65.5 percent of the state average, down from 70 percent in 1990. Average earnings per job increased 4.7 percent in 1999 – slightly above the state gain of 4.1 percent. The average earnings per job was \$27,807 for the county compared to the state's \$ 31,307, or 11.2 percent below the state.

### **Labor Force**

The Santa Cruz County labor force fell roughly 2.8 percent each year from 1995 to 2000. Santa Cruz employment figures fell less, however, with an average

annual decrease of 1.4 percent. This affected the unemployment rate downward from 19.6 percent in 1995 to 13.8 percent in 2000.

The dubious distinction of having Arizona's second highest unemployment rate of all the counties and one of only two counties with double-digit non-reservation unemployment also belongs to Santa Cruz County.

## **Employment**

Total nonfarm jobs in Santa Cruz County grew at an average 2.2 percent yearly rate from 1995-2000. The largest growth occurred in the transportation, communication & public utilities (TCPU) group, which had average growth of 10.9 percent for the period. Government had an average growth of 8 percent per year. The finance, insurance & real estate (FIRE) group lost employment at approximately the 6.4 percent per year.

Trade is the most dominant industry in Santa Cruz, largely due to its southern border with Mexico, and it employs 4,350 workers. Second, with 3,300 jobs, is government. Services is the third largest industry in Santa Cruz, employing 1,825 workers in 2000.

## **Growing and Declining**

For the year 2000, the largest industry job growth was experienced in government (+392 jobs), public warehousing and storage (+99 jobs), and management and public relations (+63 jobs). The largest job losses appeared in lumber and other building materials (-30 jobs), gasoline service stations (-20 jobs), and groceries and related products (-19 jobs). For further details see the enclosed tables.

## **Forecast**

Research Administration is forecasting employment to rise 1.3 percent in PY 01-02 and another 2.8 percent in PY 02-03. Countywide unemployment is expected to decrease slightly from the PY 00-01 rate of 12.9 percent to 12.5 percent in PY 01-02 and then reach 12.3 percent in PY 02-03.

## **Issues of Concern**

- The county is among the poorest, economically, in Arizona.
- High unemployment
- The county faces some of the greatest barriers to economic improvement. While the county will see some increasing trade from Mexican residents who realize some gains from Mexico's improving economy, the improvement will take several more years to restore Santa Cruz County trade to former levels.
- Global economic shutdown
- Tighter border controls

Source: Arizona Department of Economic Security, Research Administration, November 2001.